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House Human Services Committee

Formal Request for Information – Interim Charge 5
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LeadingAge Texas represents the full continuum of mission-driven, not-for-profit aging services providers in Texas. We are committed to assisting our members in providing the highest quality of services possible to the Texans they serve. We appreciate the opportunity to provide recommendations to Chairman Frank and members of the committee on topics including; Health Care Access and Medicaid, Impacts of COVID-19 on Long Term Care Facilities, Interim Charge Four, and Interim Charge Five.

LeadingAge Texas is comprised of more than 350 members, including approximately 200 not-for-profit retirement communities, affordable senior housing, assisted living facilities, continuing care retirement communities, nursing homes, and home and community based services providers.

Interim Charge 5: *Examine the adequacy of Medicaid reimbursements for nursing facilities, including existing incentive-based payment models and the Quality Incentive Payment Program. Consider and make recommendations to incentivize innovative models of care delivery in nursing home facilities. Study the impact of the STAR+PLUS managed care program on nursing facility care, operations and patient health outcomes, and consider recommendations to improve administrative processes between facilities and managed care organizations.*

With regard to financing nursing home care and meeting Texans' expectations on the quality of such care, Texas is at a crossroads. Texas' 2020-21 Budget appropriates more than $635 million to nursing facility payments[1], but according to CMS' Five-Star Quality Rating System, Texas has the lowest percentage of four- and five-star nursing home beds in the country.[2] Texas' nursing care funding model has fallen short – and with increasing trends in both the senior population and the cost of long-term care, the problem is likely to get worse.

The U.S. Department of Health and Human Services estimates that nearly 70 percent of people who reach the age of 65 will ultimately need long-term services and supports.[3] In Texas, this age group is one of the fastest growing populations in the state and is expected to more than triple between 2010 and 2050.[4]

> "Almost 12 percent of Texans – 3.2 million people – are 65 and older and the number is growing. By 2050 that figure is expected to increase to almost 20 percent. This increase of the older adult population will likely mean an increase in the need

[1] House Bill 1 (86th Regular Session), Strategy A.2.4.
[2] Available at: https://www.americashealthrankings.org/explore/senior/measure/nursing_home_quality_sr_a/state/ALL
[3] Available at: https://aspe.hhs.gov/basic-report/what-lifetime-risk-needing-and-receiving-long-term-services-and-supports
[4] Texas Population Projections, 2010 to 2050. Office of the State Demographer (November 2014).

> for all types of health and human services such as health care, home care, personal care and long-term care." - *Texas Health and Human Services Commission*[5]

As of 2017, Kaiser Family Foundation reported approximately 92,000 Texans resided in nursing homes. Today, 62% of care is paid for by Medicaid, 25% is paid privately, and 13% is covered by Medicare (short-term).

Texas *must* confront the challenge of a growing senior population by reforming the way it funds long-term care to *both* contain Medicaid spending and achieve better outcomes for patients.

LATX Recommendations: The Legislature should implement market-oriented reforms to Medicaid financing in nursing homes to improve the quality of care and drive down state spending long-term. Specifically, the state should adopt the following reforms to do more with existing Medicaid resources:

- Create market-oriented incentives for STAR+PLUS health plans to invest in high-quality nursing home care by implementing MCO performance metrics specific to nursing home quality and resident outcomes.
- Allow providers and STAR+PLUS health plans the flexibility to test alternative payment models that seek to improve patient outcomes and eliminate administrative burden.
- Directly link nursing home payments to proven quality measures, such as adequate staffing. CMS has acknowledged the importance of adequate staffing by implementing various staff reporting policies.
- Streamline the nursing home reimbursement methodology by directing payment based on the value of care, rather than the quantity of care. The Medicaid rate methodology should align with the Medicare Patient Driven Payment Model where appropriate.
- Restructure capitated payments to health plans so that "Money Follows the Person" and is not calculated to go towards a specific provider type.
- Eliminate unnecessary administrative burdens that shift resources away from resident care, such as excessive claim adjudication, complex billing systems, onerous prior authorization requirements, and inconsistent requirements across managed health plans.

A competitive market-place breeds innovation. Texas' Medicaid reimbursement model stifles nursing home competition by inadequately providing incentive to pursue alternative models of care such as the small home concept or invest in direct resident care. The current reimbursement model also imposes administrative burdens that drive up costs by reducing the resources available for care. Providing additional care with fewer resources is a constant challenge facing quality providers. After five years of Medicaid managed care, it remains unclear if STAR+PLUS has reduced state spending in nursing homes or improved the overall quality of care, but it is clear providing care has become more expensive.

[5] Available at: https://hhs.texas.gov/services/aging

In a functioning marketplace, providers are rewarded for delivering high-quality services and discouraged from providing substandard care. The Texas nursing home funding model lacks sufficient market incentives for providers to improve quality of care. Even under STAR+PLUS managed care, payments are determined by an outdated fee-for-service model. The current reimbursement methodology only marginally distinguishes high-quality providers from those struggling to meet the minimum standard of care, and existing programs designed to encourage better resident outcomes are not fully utilized.

As an example, the Texas Legislature has consistently failed to fully fund the only program that ties funding directly to staffing, wages, and benefits – the Nursing Facility Direct-Care Staff Rate Enhancement & Accountability Program. Full funding and greater investment in this program will ensure providers have the resources necessary to offer competitive wages and benefits. Adequate staffing levels will also be promoted and rewarded which could result in a cost savings to the provider by reducing the cost of turnover, and the state through earlier interventions, reduced costly acute episodes, and reduced hospitalizations.

Injecting market principles into Texas' nursing home funding model will encourage quality facilities to return to providing Medicaid services and ensure Texas' providers can do more with existing Medicaid resources. LeadingAge Texas recommends the Legislature adopt reforms that will encourage consumer choice, allocate funds to direct-care staffing and quality outcomes, streamline Texas' nursing home reimbursement methodology, and reduce unnecessary administrative burdens.

LeadingAge Texas applauds the Texas Legislature and HHSC in their continued support and investment in the Quality Incentive Payment Program (QIPP). For participants, QIPP offers nursing home providers the opportunity to earn supplemental payments when established quality metrics are achieved. Overtime, nursing home providers have become dependent on this funding source to alleviate the financial strain caused by inadequate base reimbursement rates. In QIPP Year 1, 514 nursing home participated in QIPP. Today, 869 nursing home participate in QIPP Year 4 at a funding level of $1.1B.

We encourage HHSC and the Legislature to continue QIPP, and the development of future program years to achieve sustainable quality improvement and participation. LeadingAge Texas further supports the inclusion of a staffing component to incentivize investments in direct-care and improved patient outcomes as a result.

Finally, COVID-19 has placed many providers at financial risk. LeadingAge Texas appreciates HHSCs approval of the emergency Medicaid increase for nursing facilities for the duration of the federal emergency declaration. Since the onset of the pandemic, facilities have seen a significant increase in costs for personal protective equipment, testing, and staffing. The cost of antigen testing

facility staff alone can range from $5,000 to $10,000 per week.[6] Additionally, providers are experiencing overall declines in short-term stay occupancy resulting in revenue falls.

The additional expenses incurred by facilities as a result of COVID-19 response will become permanent to some degree. The Legislature should evaluate these necessary expenditures and allocate an appropriate level of base funding to meet the costs of providing care post-pandemic. The state of Texas should also work with The U.S. Department of Health and Human Services and CMS to develop a sustainable long-term care financing strategy.

[6] Available at: https://leadingage.org/sites/default/files/FACT%20SHEET_%20Nursing%20Homes%20Need%20Access%20to%20Rapid.pdf